

# State Liquor Dispensary

Analyst: Milstead

## Historical Summary

<b>OPERATING BUDGET</b>	<b>FY 2000 Actual</b>	<b>FY 2001 Actual</b>	<b>FY 2002 Approp</b>	<b>FY 2003 Request</b>	<b>FY 2003 Gov Rec</b>
<b>BY FUND CATEGORY</b>					
Dedicated	8,897,300	9,150,000	10,263,200	10,734,600	10,163,100
Percent Change:		2.8%	12.2%	4.6%	(1.0%)
<b>BY OBJECT OF EXPENDITURE</b>					
Personnel Costs	5,677,200	5,828,600	6,624,300	7,126,800	6,849,600
Operating Expenditures	2,896,700	2,977,500	2,932,600	3,126,600	2,917,300
Capital Outlay	323,400	343,900	706,300	481,200	396,200
<b>Total:</b>	<b>8,897,300</b>	<b>9,150,000</b>	<b>10,263,200</b>	<b>10,734,600</b>	<b>10,163,100</b>
Full-Time Positions (FTP)	142.00	145.00	145.00	156.00	150.00

## Division Description

The goals of the Liquor Dispensary are to provide the more popular brands of liquor at a uniform, statewide price and the less popular brands by special order; to renovate and modernize state stores and to establish new state stores and contract agencies as needed; to fund special state projects; and to distribute surplus revenue as directed by law and legislative action.

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## Comparative Summary

Decision Unit	AGENCY REQUEST		GOVERNOR'S REC	
	General	Total	General	Total
<b>FY 2002 Original Appropriation</b>	<b>0</b>	<b>10,263,200</b>	<b>0</b>	<b>10,263,200</b>
Reappropriations	0	880,000	0	880,000
<b>FY 2002 Total Appropriation</b>	<b>0</b>	<b>11,143,200</b>	<b>0</b>	<b>11,143,200</b>
Removal of One-Time Expenditures	0	(1,539,600)	0	(1,539,600)
Base Adjustments	0	(356,400)	0	(356,400)
<b>FY 2003 Base</b>	<b>0</b>	<b>9,247,200</b>	<b>0</b>	<b>9,247,200</b>
Personnel Cost Rollups	0	41,900	0	41,900
Inflationary Adjustments	0	44,300	0	0
Replacement Items	0	434,200	0	434,200
Nonstandard Adjustments	0	56,400	0	56,400
Change in Employee Compensation	0	56,900	0	0
<b>FY 2003 Program Maintenance</b>	<b>0</b>	<b>9,880,900</b>	<b>0</b>	<b>9,779,700</b>
1. Additional Store Clerks	0	183,400	0	183,400
2. Increase Operating Expenses	0	200,000	0	200,000
3. Additional Stores	0	390,600	0	0
4. Additional Warehouse Positions	0	56,800	0	0
5. Position Reclassification	0	22,900	0	0
<b>FY 2003 Total</b>	<b>0</b>	<b>10,734,600</b>	<b>0</b>	<b>10,163,100</b>
Change from Original Appropriation	0	471,400	0	(100,100)
% Change from Original Appropriation		4.6%		(1.0%)
Change in FTP's		11.00		5.00

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Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
<b>FY 2002 Original Appropriation</b>	145.00	0	10,263,200	0	10,263,200

## Reappropriations

Reappropriation for Enterprise Accounting System, House Bill 303 - 2001 Legislative Session. Includes funding for training, support, and license upgrade.

Agency Request	0.00	0	880,000	0	880,000
<i>Governor's Recommendation</i>	<i>0.00</i>	<i>0</i>	<i>880,000</i>	<i>0</i>	<i>880,000</i>

<b>FY 2002 Total Appropriation</b>					
Agency Request	145.00	0	11,143,200	0	11,143,200
<i>Governor's Recommendation</i>	<i>145.00</i>	<i>0</i>	<i>11,143,200</i>	<i>0</i>	<i>11,143,200</i>

## Removal of One-Time Expenditures

Remove funding provided for one-time items including FY 2002 nonrecurring Capital Outlay (\$659,600) and the reappropriation for Enterprise Accounting System (\$880,000).

Agency Request	0.00	0	(1,539,600)	0	(1,539,600)
<i>Governor's Recommendation</i>	<i>0.00</i>	<i>0</i>	<i>(1,539,600)</i>	<i>0</i>	<i>(1,539,600)</i>

## Base Adjustments

Reflects a reduction in the base of \$356,400 -for the nonrecurring lease payment for the liquor warehouse.

Agency Request	0.00	0	(356,400)	0	(356,400)
<i>Governor's Recommendation</i>	<i>0.00</i>	<i>0</i>	<i>(356,400)</i>	<i>0</i>	<i>(356,400)</i>

<b>FY 2003 Base</b>					
Agency Request	145.00	0	9,247,200	0	9,247,200
<i>Governor's Recommendation</i>	<i>145.00</i>	<i>0</i>	<i>9,247,200</i>	<i>0</i>	<i>9,247,200</i>

## Personnel Cost Rollups

Includes the employer portion of estimated changes in employee benefit costs.

Agency Request	0.00	0	41,900	0	41,900
<i>Governor's Recommendation</i>	<i>0.00</i>	<i>0</i>	<i>41,900</i>	<i>0</i>	<i>41,900</i>

## Inflationary Adjustments

Includes a general inflationary increase of 1.7% in operating expenditures.

Agency Request	0.00	0	44,300	0	44,300
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*The Governor recommends no increase for inflation.*

<i>Governor's Recommendation</i>	<i>0.00</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
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## Replacement Items

Reflects remodeling, painting, and recarpeting of thirteen older state stores (\$141,000), relocation of two state stores (\$83,200), replacement of worn display shelves and checkout counters (\$44,000), replacement of store POS equipment (\$128,000). Also provides for upgrades to software (\$38,000).

Agency Request	0.00	0	434,200	0	434,200
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*The Governor's recommendation includes counters, electronic cash registers and carpeting replacements for older stores.*

<i>Governor's Recommendation</i>	<i>0.00</i>	<i>0</i>	<i>434,200</i>	<i>0</i>	<i>434,200</i>
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# State Liquor Dispensary

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## Budget by Decision Unit

	FTP	General	Dedicated	Federal	Total
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### Nonstandard Adjustments

Reflects \$48,400 for the contractual rent increases in 51 state liquor store leases. Also reflects an increase in Attorney General fees of \$7,900, a decrease in State Controller fees of (\$700), and an increase in State Treasurer fees of \$800.

Agency Request	0.00	0	56,400	0	56,400
Governor's Recommendation	0.00	0	56,400	0	56,400

### Change in Employee Compensation

Reflects the cost of a 1% salary increase for permanent and group positions.

Agency Request	0.00	0	56,900	0	56,900
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*The Governor recommends state employee compensation increases to be made from salary savings.*

Governor's Recommendation	0.00	0	0	0	0
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### FY 2003 Program Maintenance

Agency Request	145.00	0	9,880,900	0	9,880,900
Governor's Recommendation	145.00	0	9,779,700	0	9,779,700

### 1. Additional Store Clerks

This decision unit would provide the Liquor Dispensary with five Liquor Store Clerks and \$142,000 in salary and benefits for the five new FTPs and, an additional \$41,400 in personnel dollars for group positions. The Dispensary states that bottle sales have increased 23% over the last decade (from 4.8 million to 5.9 million), while the Dispensary's FTP's declined. Bottles sold per FTP have increased nearly 25% and are projected to increase another 16% over the next four years. According to the Dispensary this has resulted in scheduling problems with the limited number of FTPs as well as morale problems. According to the Dispensary, this decision unit would restore staffing to the appropriate level.

Agency Request	5.00	0	183,400	0	183,400
Governor's Recommendation	5.00	0	183,400	0	183,400

### 2. Increase Operating Expenses

The Dispensary states that its operating base is inadequate to fund current operations which was caused by the Dispensary not receiving requested general inflation budget increases totaling \$381,700 during fiscal years 1996-2000. According to the Dispensary, during the same period the Dispensary was obligated under long-term operating leases to fund CPI rent increases on approximately 50 liquor store leases. In order to cover this shortfall in operating funding, the Dispensary states it has reduced store staffing and used the salary savings to pay rent. During the last two fiscal years, the Dispensary has transferred \$408,900 from personnel to operating to cover this shortfall. An increase of \$200,000 is required to the operating base to correct this ongoing funding problem which has accumulated over the past six years.

Agency Request	0.00	0	200,000	0	200,000
Governor's Recommendation	0.00	0	200,000	0	200,000

### 3. Additional Stores

The Dispensary notes that population and sales growth are increasing rapidly in Ada and Canyon counties. According to the Dispensary, to maintain current service levels in these growing areas, two additional stores are needed in the Boise/Meridian area. Growth is also occurring in other areas of the state and the Dispensary states that additional stores will likely be needed in eastern and northern Idaho within the next few years. This enhancement would provide the Dispensary with the resources to open two additional liquor stores. This would include \$140,600 for two Liquor Store Clerks and two Liquor Store Managers. Also included is \$165,000 in operating expenses for rent, utilities, and other expenses and \$85,000 in capital outlay for leasehold improvements, display shelving, furnishings, and computers. (\$305,600 ongoing, \$85,000 one-time).

Agency Request	4.00	0	390,600	0	390,600
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*Not recommended by the Governor.*

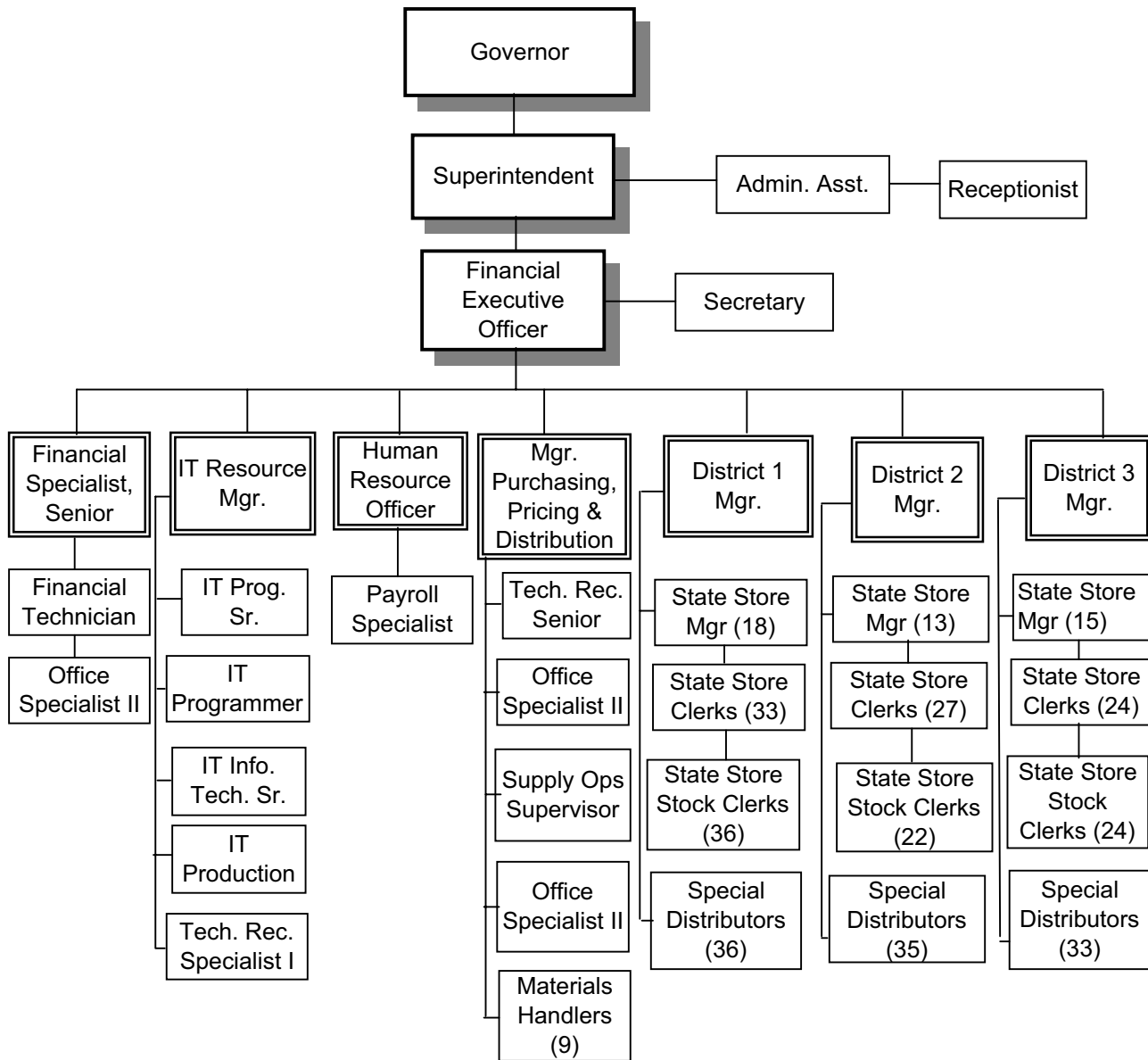
Governor's Recommendation	0.00	0	0	0	0
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# State Liquor Dispensary

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Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
<b>4. Additional Warehouse Positions</b>					
This enhancement will provide two FTP and funding to hire Shipping and Receiving Materials Handlers. The Dispensary states that the number of SKU's stocked in the warehouse and the number of single pack and special orders shipped have also increased significantly. According to the Dispensary, this has resulted in a workload that the current warehouse crew cannot keep up with. This enhancement will provide the resources to keep up with the increase.					
Agency Request	2.00	0	56,800	0	56,800
<i>Not recommended by the Governor.</i>					
Governor's Recommendation	0.00	0	0	0	0
<b>5. Position Reclassification</b>					
This decision unit provides \$22,900 in dedicated funds for costs associated with the reclassification of material handler and custodian positions. The reclassification more accurately reflect duties performed.					
Agency Request	0.00	0	22,900	0	22,900
<i>Not recommended by the Governor.</i>					
Governor's Recommendation	0.00	0	0	0	0
<b>FY 2003 Total</b>					
Agency Request	156.00	0	10,734,600	0	10,734,600
Governor's Recommendation	150.00	0	10,163,100	0	10,163,100
Agency Request					
Change from Original App	11.00	0	471,400	0	471,400
% Change from Original App	7.6%		4.6%		4.6%
<i>Governor's Recommendation</i>					
Change from Original App	5.00	0	(100,100)	0	(100,100)
% Change from Original App	3.4%		(1.0%)		(1.0%)

## Liquor Dispensary Organizational Chart



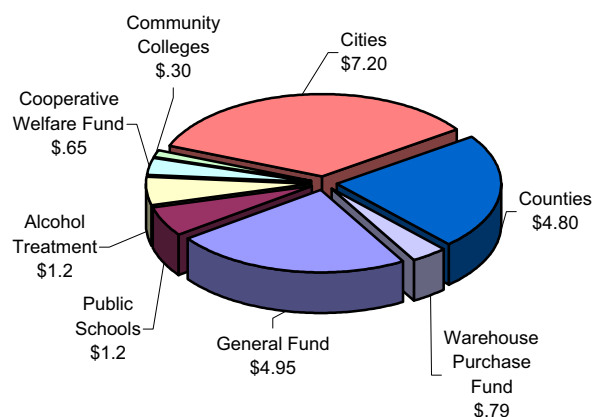
# Liquor Dispensary Issues & Information

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## Liquor Dispensary Performance Data

Selected Measures	FY 1999	FY 2000	FY 2001	FY 2002 est.
1. Maintain moderate per capita alcohol use				
License States (gallons per capita)	1.31	1.31	1.32	1.32
Control States (gallons per capita)	1.10	1.10	1.11	1.11
Idaho (gallons per capita)	1.00	1.00	0.97	0.98
2. Number of new products introduced	66	57	44	80
3. State-owned stores	49	50	51	51
4. Contract stores (pay for inventory when sold)	93	103	104	104
5. Retail stores (pay for inventory when received)	8	1	0	0
6. Total number of outlets	150	154	155	155
7. Total gross liquor sales (millions)	\$61.15	\$65.57	\$69.71	\$74.12
8. Total liquor sales (millions of gallons)	1.30	1.33	1.35	1.37
9. Cost of Product (millions)	\$32.82	\$35.32	\$37.44	\$39.86
10. Total operating expenses (millions)	\$9.77	\$10.36	\$10.81	\$11.37
11. Operating costs as a percent of sales	16.0%	15.8%	15.5%	15.3%
12. Interest and other earnings	\$270,000	\$350,000	\$390,000	\$35,000
13. Total net profit (millions)	\$18.8	\$20.2	\$21.5	\$23.2
14. Net profit as a percent of gross sales	30.8%	30.9%	31.3%	31.4%
15. General Fund distribution (millions)	\$4.95	\$4.95	\$4.95	\$4.95
16. Public School distribution (millions)	\$1.20	\$1.20	\$1.20	\$1.20
17. Alcoholism treatment fund distribution (millions)	\$1.20	\$1.20	\$1.20	\$1.20
18. Cooperative welfare fund distribution (millions)	\$0.65	\$0.65	\$0.65	\$0.65
19. Community College distribution (millions)	\$0.30	\$0.30	\$0.30	\$0.30
20. Cities distribution (millions)	\$6.17	\$6.36	\$7.20	\$7.95
21. County distribution (millions)	\$4.12	\$4.24	\$4.80	\$5.30
22. Permanent Building Fund (millions)		\$1.00		
23. Warehouse Purchase Fund (millions)			\$0.79	\$0.79

**FY 2001 Profit Distribution (in millions)**  
Total - \$21.09 million



### Statutory Profit Distribution Formula:

Annual fixed distributions totaling \$8,295,000 to General Fund, Public Schools, Alcohol Treatment Fund, Cooperative Welfare Fund and Community Colleges.

Remainder of profits distributed as follows:

- 40% to counties in proportion to sales in each county.
- 60% to cities as follows:
  - 90% to those incorporated cities with liquor stores in proportion to sales.
  - 10% to those incorporated cities without liquor stores in proportion to population.

Note: Legislation in 2000 transferred \$.79 million to the Liquor Warehouse Purchase Fund for FY 2001, 2002, and 2003.